

AMENDED IN SENATE AUGUST 16, 1999

AMENDED IN SENATE JULY 8, 1999

AMENDED IN ASSEMBLY MAY 25, 1999

AMENDED IN ASSEMBLY MAY 19, 1999

AMENDED IN ASSEMBLY APRIL 26, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 802

Introduced by Assembly Member Dutra

February 24, 1999

~~An act to amend Section 778.2 of the Insurance Code, An act to add Section 778.3 to the Insurance Code, relating to insurance.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 802, as amended, Dutra. Insurance policies: disclosure of finance charges.

Existing law requires any person engaged in business as an insurance agent or broker and who participates in the arrangement of a premium financing agreement and accepts compensation for arranging, directing, or performing services in connection with the premium financing agreement, to disclose to the insured, in a manner and form established by the Insurance Commissioner, the amount of that compensation, as specified.

This bill would require the amount of any periodic finance charge imposed for the coverage purchased and the annual

percentage rate associated with those charges to be disclosed in the policy itself, *or if arranged pursuant to a separate premium financing agreement in the premium financing agreement itself*, and in the premium finance—~~billing~~ billings, as specified.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 778.2 of the Insurance Code is~~
2 ~~amended to read:~~
3 ~~778.2. (a) Any person engaged in business as an~~
4 ~~insurance agent or broker and who participates in the~~
5 ~~arrangement of a premium financing agreement shall, if~~
6 ~~he or she accepts compensation for arranging, directing,~~
7 ~~or performing services in connection with the premium~~
8 ~~financing agreement, disclose to the insured, in a manner~~
9 ~~and form established by the commissioner, the amount of~~
10 ~~compensation he or she is to receive from the premium~~
11 ~~financier and maintain for three years and make available~~
12 ~~to the commissioner a list of accounts in connection with~~
13 ~~which he or she has accepted compensation for premium~~
14 ~~financing services showing the amount of that~~
15 ~~compensation with respect to each premium financing~~
16 ~~agreement and with respect to each financing schedule~~
17 ~~used by the agent or broker. The requirements of this~~
18 ~~subdivision shall not apply with respect to interest paid to~~
19 ~~the broker or agent by the premium financier based upon~~
20 ~~delay in payment of the premium due the insurer as~~
21 ~~permitted under subdivision (a) or (b) of Section 18628~~
22 ~~of the Financial Code.~~
23 ~~(b) The commissioner shall hold a hearing and adopt~~
24 ~~by regulation a standard procedure and form for making~~
25 ~~the disclosure to the insured required by subdivision (a).~~
26 ~~(c) The amount of the periodic finance charges, if any,~~
27 ~~imposed for the coverage purchased and the annual~~
28 ~~percentage rate associated with those charges shall be~~
29 ~~disclosed in the policy itself and the premium finance~~
30 ~~billing. If the finance charge is a fixed fee, regardless of~~

~~the amount of the loan or the balance due, the disclosure is not required to include the annual percentage rate associated with those charges. This subdivision shall not apply to any insurance policy or premium finance billing where the same information is otherwise disclosed to the insured as required by any other provision of state or federal law.~~

SECTION 1. Section 778.3 is added to the Insurance Code, to read:

778.3. The amount of the periodic finance charges, if any, imposed for the premium financing purchased and the annual percentage rate associated with those charges shall be disclosed in the policy itself, or if arranged pursuant to a separate premium financing agreement in the premium financing agreement itself, and in the premium finance billings. If the finance charge is a fixed fee, regardless of the amount of the loan or the balance due, the disclosure is not required to include the annual percentage rate associated with those charges. This section shall not apply to any insurance policy or premium finance billing if the same information is otherwise disclosed to the insured as required by any other provision of state or federal law.